

Nashville Convention Center

Analysis of Funding Alternatives

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Purpose & Methodology

- Analyze funding alternatives
- MCCC and CVB retained KPMG Economic Consulting Services
 - KPMG studied 22 similar projects nationwide & their funding sources
 - KPMG estimated revenue available from those sources here
- Not a budget or policy recommendation

Not what should be,
but...

...what could be here,

given what is elsewhere.

Comparable markets studied

- Cincinnati
- Louisville
- Indianapolis
- Memphis
- Chattanooga
- Kansas City
- Charlotte
- San Antonio
- Minneapolis/St. Paul
- Atlanta
- Chicago
- New Orleans
- Omaha
- Denver
- Dallas
- Los Angeles
- Birmingham
- Philadelphia
- Washington, D.C.
- Phoenix
- Houston
- Knoxville

How did they do it elsewhere?



Norfolk, Virginia

- Hotel/motel taxes
 - 91 percent
- Restaurant taxes
 - 36 percent
- State funding
 - 32 percent
- Car rental taxes
 - 14 percent
- Miscellaneous
 - 50 percent

How much is needed here?

400,000

Contiguous exhibit
space

\$240,000,000

Construction cost

+\$113,000,000

Land, fees, bond costs

\$353,000,000

TOTAL COST (est.)

\$28,075,565

Annual debt service

Hotel/motel tax revenue

- State/local sales tax 9.25%
- Metro hotel/motel tax 5.00%
- Total tax per room/night 14.25%

How does 14.25% compare?

■ Birmingham	11.00%
■ Charlotte	13.00%
■ Chattanooga	13.25%
■ Median	13.73%
■ Atlanta	14.00%
■ Third Quartile	14.94%
■ Memphis	15.95%
■ San Antonio	16.75%
■ Houston	17.00%
■ Knoxville	17.50%



Nashville, Tennessee

Where does the 5% go now?

- Current convention center debt 1%
 - Debt paid off June 30, 2007
- Current convention center operations 1%
- Coliseum debt 1%
- Convention & Visitors Bureau 2%
 - Country Music HOF contribution \$2 million
- Other comparable cities using 1% of hotel/motel taxes for convention center development:
 - NONE.

Potential hotel/motel tax receipts through FY 2021



Anaheim, California

- At current rate:
 - \$460.18 million
 - \$24.22 million per year average

- With 1% increase:
 - \$575.59 million
 - ▶ Includes demand effect of -0.44 percent on tax basis
 - \$30.29 million per year average

Restaurant tax revenue

- Current State/Metro sales tax 9.25%
- Current additional restaurant tax 0.00%
- Total tax on meals eaten out 14.25%

How does Nashville's restaurant tax compare?

	<u>ConvCtr</u>	<u>Total</u>
■ Nashville	0.0%	9.25%
■ Denver	0.5%	7.70%
■ Phoenix	0.5%	8.10%
■ New Orleans	0.5%	9.50%
■ Charlotte	1.0%	8.00%
■ Chicago	1.0%	9.75%
■ Washington	1.0%	10.00%
■ Birmingham	3.0%	8.00%
■ Minneapolis	3.0%	9.50%



Estimates of restaurant revenue

- FY 2003
 - \$1.13 billion estimated total sales
 - 0.5% tax would generate \$5.64 million
 - 1% tax would generate \$11.28 million
- FY 2021
 - \$1.92 billion estimated total sales
 - 0.5% tax would generate \$9.60 million
 - 1.0% tax would generate \$19.20 million

Downtown restaurant revenue

- **74 percent** of Nashville restaurant sales--\$834 million--come from **downtown**
 - Source: Tennessee Department of Revenue
- If restaurant tax for convention center were limited to downtown:
 - FY 2003
 - ▶ 0.5% tax would generate \$4.17 million
 - ▶ 1.0% tax would generate \$8.35 million
 - FY 2021
 - ▶ 0.5% tax would generate \$7.10 million
 - ▶ 1.0% tax would generate \$14.21 million]

Potential car rental revenue



- \$71 million business in Nashville in FY 2001
- State currently collects 11.25% tax
- Metro collects none
- 11.25% compares to median of 11.13%
 - Dallas 15%
 - Chicago 18%
 - Phoenix 18.35%
- 1% Metro tax would generate \$710,500 in tax revenue

Potential TN Tax Increment Financing

- 1998 Convention Center and Tourism Development Act
- Funds convention centers of at least 250,000 square feet
- Tourism Development Zone encompasses central business improvement district
- All state & local sales tax revenues (except 1/2-cent earmarked for education) collected above base year go to convention center debt service

Tax Increment Financing in TN

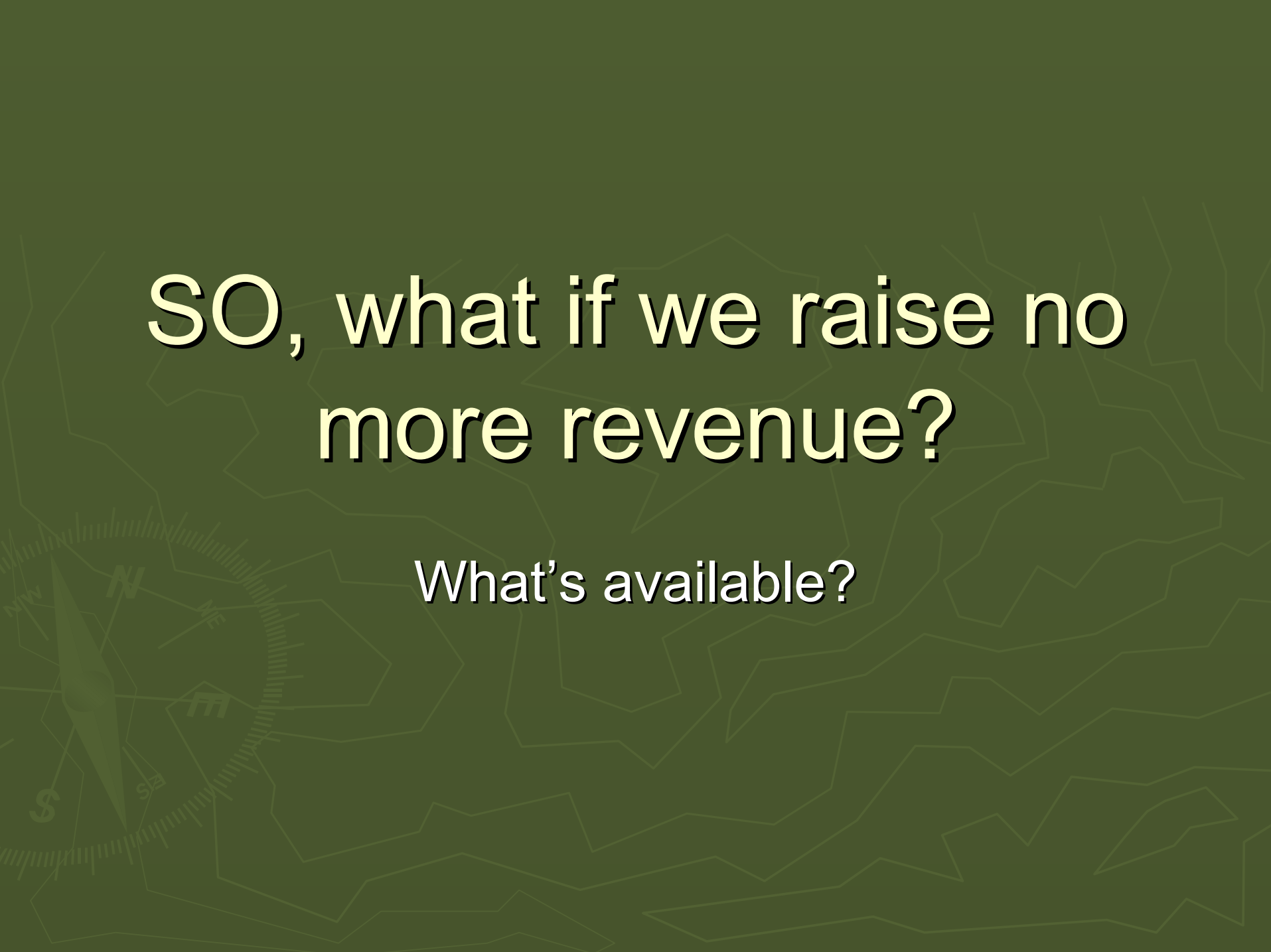
- Memphis Cook Convention Center
 - \$3.6 million received from state in first year
- Chattanooga Convention Center
 - \$500,000 received from state in first year



Potential Tax Increment Financing for Nashville



- KPMG estimated minimum state contribution of \$3.1 million annually prior to 2002 sales tax increase
- Amount expected to grow as development grows



SO, what if we raise no
more revenue?

What's available?

Where to find \$28 million?

- Hotel/motel tax
 - 1% “frees” with retirement of convention center debt June 2007
 - \$4.3 million first year, growing to \$7.5 million in year 20
 - ▶ Each additional 1% raises same amount
 - ▶ \$37 million per year available in year 20 from entire 5% hotel/motel tax
- Restaurant, car rental tax
- Currently no designated taxes
- State funding
 - \$3.1 million per year available through Convention Center Act
- General fund requirement
 - \$20.9 million first year, declining to \$17.4 million in year 20

How much is 20.9 million?

- 3.1% of \$679 million non-schools operating budget for 2002-03
- Spending comparisons from 2002-03 budget
 - General Hospital subsidy \$23.5 million
 - Fiscal administration \$21.3 million
 - ▶ Assessor, register, trustee, finance department
 - Public library \$18.1 million
 - MTA subsidy \$9.9 million
 - Grants to non-profit agencies \$7.6 million
 - GEC subsidy \$5.3 million

What if? One scenario...

- Two additional cents from hotel/motel tax
 - \$12.9 million to \$22.5 million per year
- 1/2-cent downtown restaurant tax
 - \$4 million to \$7.1 million per year
- 2% car rental tax
 - \$1.4 million per year
- State TIF
 - \$3.1 million per year min.
- General fund contribution of \$6.5 million in first year



Mobile, Alabama

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but...

...what could be here,

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